



STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

BEVERLY EAVES PERDUE
GOVERNOR

EUGENE A. CONTI, JR.
SECRETARY

**North Carolina Board of Transportation
Environmental Planning and Policy Committee
Meeting Minutes for May 6, 2009**

A meeting of the Environmental Planning and Policy Committee (EPPC) was held May 6, 2009 at 1:05 PM in the Board Room (Room 150) of the Transportation Building. Nina Szlosberg chaired the meeting. Other Board of Transportation members that attended were:

Bob Collier	Nancy Dunn
Andy Perkins	Doug Galyon
Marion Cowell	Stan White

Other attendees included:

Julie Hunkins	Angela Person	Allen Pope
Ricky Greene	Katherine White	Beth McKay
Wally Bowman	Jennifer Garifo	Pat Simmons
John sullivan	Edie Dancausse	Phillip Ayscue
Greg Thorpe	Drew Joyner	Missy Pair
Terry Arellano	Jon Nance	Art McMillan
Amy Simes	Don Lee	Bob Andrews
Daniel Keel	Kevin Lacy	Berry Jenkins
Victor Barbour	Marion Cowell	

Ms. Szlosberg called the meeting to order at 1:00 PM and accepted a motion to approve the meeting minutes from the April committee meeting. The minutes were approved as presented.

Ms. Szlosberg began the meeting by mentioning that for a while there has been talk about the carbon-constrained world and the contribution that transportation makes to carbon loading and to our warming planet. There will be policy implications both at the Legislative level in North Carolina and with President Obama's administrative change with looking at carbon now as a pollutant. In the new world, carbon will be designated as a pollutant by the Environmental Protection Agency. Ms. Szlosberg introduced Mr. Tim Profeta, Director of the Nicholas Institute for Environmental Policy Solutions at Duke University. Mr. Profeta served as Council for the environment to Senator Joe Lieberman; Senator Lieberman was one of the authors of the Lieberman-Warner Bill that looked at climate change. Mr. Profeta is a visiting lecturer at the Duke Law School and before joining Lieberman's staff, he was a law clerk for Judge Freeman of the US Court for the District of Columbia.

Mr. Profeta's gave a snapshot of what is going on with the climate change policy and how that affects transportation. He came back to Duke University where he went to graduate school to curate the Nicolas Institute, which is a two-way bridge between Duke University and decision-makers. A lot of his time is spent in Washington, DC and in North Carolina running a program assisted by Bill Holman. Their job is to take all of Duke University's knowledge and use their ability to convene people to help them make their own decisions.

Mr. Profeta stated that there are two major pieces of legislations are likely to go through Congress this year that will be very relevant to transportation and climate change, one of which is the Climate and Energy Emissions Bill that has been proposed in previous Congresses and is now under consideration by the House of Representatives. Another is the big transportation re-authorization bill that will be worked on in the Fall. There are carbon reduction programs all over the world except for the United States. In the absence of reduction programs in the United States, there have been State and Regional programs popping up, particularly northeast, west and now mid-West.

The entire northern part of the world has emission reduction programs. However, climate change is fundamentally about the United States and China. This accounts for two-thirds of the emissions reductions that have to happen over the next 50 years if there is going to be any stabilization with greenhouse gas emissions. Right now, neither of these two countries are making any emissions reductions, so there is a long way to go internationally to address the problem. In the United States there has not been any definitive federal activity, but there is an emission reduction program arising regionally. These are cap and trade systems that are dominant policy devices to address climate change. Cap and trade is the ability for a jurisdiction to make greenhouse gases from sources, getting them in the market place and regulate buyers so that you have to own the right to make a greenhouse gas. Because of the cap, there are only so many rights that the sectors will emit out in the world, but there is trading between them. If reductions are made cheaper, then rights to emit could be sold to create a marketplace. It was handled that way in 1990, which was the cheapest and most effective reduction program ever run.

Ms. Szlosberg stated that on allocations of allowances, Obama's administration is looking at rebates for offsetting emissions. She asked, "Is the campaign promise to allocate allowances and give it back to the people?"

Mr. Profeta answered that first he would contrast the campaign and the political reality of the program. The campaign promise was to try and inspire to auction 100% of these allowances and return all the revenue to the American people. In the Waxman Negotiations right now, they are on the road to dole out 100% of these to stakeholder groups to make sure they have the votes. The revenue will only be used to further the purpose of the Legislation.

In the absence of the federal legislation, there is a "cap and trade" program that has trading in the northeast for utility sector. The western United States are developing one for all sectors of the economy, and now the Midwest is doing the same. When Mr. Profeta started working with Joe Lieberman in 2001, there was no opportunity to discuss greenhouse gas policy. It was not a

question of how to deal with it, but whether they wanted to deal with the greenhouse policy. In the federal debate now, it is a question of how they should deal with it. There was a debate about the Lieberman-Warner proposal of a 70% reduction in the last Congress, but it was an unsuccessful debate. What changes from the last Congress to now is the new President. We now have a President who wants this change, is part of his agenda, has made it a priority and has indicated that he is willing to spend some political capital towards it. Hopefully that will force the equitable compromises that are necessary to make this happen.

All the Congressmen that were in place before are all gone and in the US Senate there is leadership from Lieberman, McCain and Warner. One has retired and Lieberman and McCain, while still there, are no longer truly in leadership positions in our caucuses. In the House, you have leadership from John Dingell of Michigan and Rick Boucher of Virginia who moderate manufacturing cold state democrats that were moving a bill forward in October of 2008. They were upset and overturned by Waxman of California and Markey of Massachusetts (much more liberal members) and their Chairmanship and their committees, and now there is a brand new leadership team there.

There are two futures for climate policy in the United States. One would be a road toward a successful bill, and there are three things that need to happen to get there. One is that Henry Waxman has to be able to legislate. He is now the most important person in climate change policy in the United States. He is Chairman of the House's Energy and Commerce Committee, and no member of the House of Representatives is in better standing with the environmental community. Second is that moderates need to lead rather than complain. Mr. Profeta stated there is very little leadership in the Senate right now, and Barbara Boxer is not moving anything through her committee. The moderates are organized but not willing to act and are just gathered to complain about the proposals they see on tape. Lastly, the White House needs to put shoulder to the will and take some political leadership on this issue. If this does not happen, there is a second more chaotic situation. There would be leadership back in the Senate, all ideas on the table, but not enough time to address the issues; the end result would be no climate legislation.

Recently, Waxman and every single member of Congress went to the White House and was pressed by President Obama to get this Bill done. The President indicated that he wanted certain things on his agenda done first and that it was a key to his economic "One-Two Punch". There is no unified business voice as there is no unified environmental voice. There is a very strong group of businesses for "cap and trade", called USCAP (The United States Climate Action Partnership), who are convening in Washington, DC to discuss what they can do to keep things moving forward. There is a rising tax voice coming out from a couple of sources. People are concerned in the market that there is no strong political support for creation of carbon markets now, like there was five years ago. Some people are looking at taxing as a simpler and easier way to go. While there is a lot of talk about tax, it is more among the economic economist and the few select corporations.

Ms. Szlosberg asked, "Why is the US Chamber against cap and trade?"

Mr. Profeta stated that the US Chamber has been against cap and trade as much as they have been against tax. The US Chamber believes it is an additional cost of doing business and does

not want to impose upon their members. Even if the politics determine that legislation is something that is wanted, there is a lot to deal with like cost containment and trading competitiveness, allocation allowances, the Clean Air Act, and the billing of State and Federal partnership. The House stated last year that they wouldn't have complicated allocation systems, but by the time they got through the process, the result was a very difficult process to follow. Barbara Boxer even chose to make a very simple way to deploy the revenue by giving it to consumers, energy technologies, states, workers and wildlife conservation. They realized that she had tried to provide funding overseas to help developed nations adjust to climate change. State and federal partnerships are easier to get done because the States will give away their rights to have their own markets as long as they get some revenue back and have some right to continue to have emission reductions within their own States.

A lot of modeling was done with different scenarios as to how different bills would affect the economy. It gave the companies a sense of what they think the right levels and dates would be and how much they could make in reductions and how fast. The emissions in the United States is about 33% in the utility sector, 33% in the transportation sector and 20% for the industry. In all those scenarios, the utility sector goes to all zero emitting technology by 2035. The reductions are cheaper and the market drives them there. The transportation sector was calculated based on three different scenarios with the reduction from 2.5 to 2 billion, regardless of the assumptions that were put into the system. The transportation sector, based just on the basis of the system, doesn't respond. That is why everyone talks about the famous "Three Legged Tool" for transportation. Transportation can not only be addressed through the "cap and trade" program; it must be addressed through emissions from vehicles, the fuels and amount of vehicle miles traveled.

Policies need to cover all three. There is a lot of political pressure for complimentary legislation that will not only reduce the emissions of vehicles, but the others mentioned as well. The current proposal in the House, the Waxman-Markey Bill, includes a number of other measures including higher fuel efficiency improvement, vehicle emissions standards, low carbon fuel standards, electric vehicle infrastructure development, plug-in manufacturing assistance, large scale electrification and transportation grounds plane requirements. These mentioned are all in the proposed Transportation Bill re-authorization. There is likely to be new policy on each of these mentioned in reaction to climate change. It is very likely that because of the movement, the state of debate, and the pressure from the White House, these sort of requirements will be brought back up again in the next re-authorization.

Ms. Szlosberg stated that the NC Department of Transportation (NCDOT) is in the process of prioritizing our projects and it looks like DOT should consider green house gases (GHG) as part of our prioritization process.

Mr. Profeta stated that he wasn't aware if Barbara Boxer would let her bill out of her Committee without a GHG planning requirement. The State of California is trying to implement the GHG requirement, which is difficult to do with State Regional Planning Organizations, but they already have a bill trying to condition funding on having GHG plans for each regional planning area in California.

Ms. Szlosberg asked, “What advice would you give to policy makers at State level? What requests might we see in terms of GHG policy? Also, how would revenues be used and how much would be need to go towards transportation?”

Mr. Profeta answered that first you need to be aware of what the requests of the policy would be. There are revenues coming onto the playing field that could be used for infrastructure. You will find a lot of industry and environmental support that should be used for this purpose. Companies like Dupont are fearful that the transportation sector is so non-reactive that it will dry up the cost of doing business with everyone else. Dupont is very much in favor of using that revenue to work on low-carbon infrastructure and vehicle efficiency so that they do not affect the market adversely in their sector of the economy. The second is to not assume the equilibrium stays. After a meeting at the White House, likely with this Congress or somewhere in the next couple of Congresses, there will be a “cap and trade” bill or something that prices greenhouse gases. In new cost of doing business, it will be reflected in transportation costs, likely at the pump, and the use of fossil fuel will get more expensive and you will want to be able to provide infrastructure.

Ms. Szlosberg thanked Mr. Profeta for his presentation.

Ms. Szlosberg stated that as part of the White House discussions, US Department of Transportation’s Secretary LeHood, along with the new head of Housing and Urban Development, announced a joint venture that looks at livability and sustainability. As they put together a work plan, she has asked Secretary Conti to make sure they are all briefed and made aware of what is happening. In addition, she mentioned that the Southern Environmental Law Center put together a policy report titled “*How Do We Get There? A Roadmap for North Carolina’s Transportation Future.*” Ms. Szlosberg stated that a copy of this publication had been provided to all Board Members and senior staff and encouraged them to review it.

Ms. Szlosberg also provided an article about solar power for committee members review. She stated that Oregon has begun using solar power and has a pilot project where they are using the right of way around one large intersection to put solar panels down and light the intersection; this is a revenue neutral proposition. Don Lee, Roadside Environmental Unit Head, is continuing to work on some pilot projects where North Carolina maybe able to put some solar-power generated stations in a rest area.

Ms. Szlosberg adjourned the meeting at 1:50 P.M. The next meeting of the Environmental Planning and Policy Committee is scheduled for Wednesday, June 3, 2009 at 1:00 PM in the Board Room (Room 150) of the Transportation Building.

AJP/jh